BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Order Instituting Rulemaking to Adopt Rules and Procedures Governing Commission-Regulated Natural Gas Pipelines and Facilities to Reduce Natural Gas Leakage Consistent with Senate Bill 1371.

Rulemaking 15-01-008
(Filed January 15, 2015)

COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON THE SUMMARY OF BEST PRACTICES WORKING GROUP ACTIVITIES AND STAFF RECOMMENDATIONS

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I. INTRODUCTION

On January 22, 2015, the Commission issued an Order Instituting Rulemaking (OIR or Rulemaking), (R.) 15-01-008, "…to carry out the intent of Senate Bill (SB) 1371…".[1] As described in the OIR, SB 1371 "…requires the adoption of rules and procedures to minimize natural gas leakage from Commission-regulated natural gas pipelines consistent with Public Utilities Code Section 961 (d), §192.703(c) of subpart M of Title 49 of the Code of Federal Regulation, the Commission's General Order 112-E, and the state's goal of reducing Greenhouse Gas (GHG) emissions."[2]

In March 2016, California Public Utilities Commission (CPUC) and the California Air Resources Board (CARB) issued a document entitled "Natural Gas Leak Abatement Summary of Best Practices Working Group."[3] The Joint Staff Report[4] summarizes the process by which best practices for gas leak abatement were discussed and researched with the interested parties. The Joint Staff Report proposes a set of mandatory best practices to be followed by utilities and gas storage operators and establishes four principles for methane leak abatement best practices. Any additional best practices listed in Attachment A of the Joint Staff Report are considered voluntary. The Joint Staff Report was attached to an Administrative Law Judge's (ALJ) ruling issued March 24, 2016. Pursuant to that ALJ Ruling, the Office of Ratepayer Advocates (ORA) submits these Comments.

II. DISCUSSION

A. What overall comments do you have about the Staff Summary and Recommendations?

ORA notes that there is not enough leak reduction and cost data in the Joint Staff Report or the associated Attachment A. A lack of risk reduction information (or

[1] OIR, p. 1.

[2] OIR, p. 1.

[3] See Attachment 1 to March 24, 2016, Administrative Law Judge's Ruling Entering Summary of Best Practices Working Group Activities and Staff Recommendations into the Record and Seeking Comments.

[4] ALJ Ruling sites Attachment 1 as the "Joint Staff Report" ORA shall continue to refer to the "Natural Gas Leak Abatement Summary of Best Practices Working Group" as the "Joint Staff Report".

emissions reductions as a proxy) hampers the identification and selection of the most effective solutions to reducing natural gas system leaks and potential hazards to human health and the environment. Of the 90 best practices identified in Attachment A to the Staff Report, only 14 have associated emissions reductions.[5]

For seven of the 26 proposed mandatory requirements, there is little to no emission reduction or cost information provided for implementing these practices that could incur significant operational or capital costs, such as mobile methane mapping technology, special surveys of vintage pipe, increased instrument-based inspections of transmission facilities, and adoption of handheld sensors. Additionally, of the 95 practices listed in Attachment A, only 15 provided emissions reduction estimates and 20 provided cost estimates.[6] ORA recommends the Commission require that while the utilities implement the mandatory best practices, they collect the data that will help determine if the mandatory best practices support a comprehensive safety, risk reduction, emissions reduction, and cost benefit analysis. This data should be submitted annually to the Commission and reviewed every 4 years and should also be incorporated into the gas safety plans required under Public Utilities Code § 961.

ORA understands that several of the best practices listed in the Joint Staff Report and Attachment A are likely to be cost-effective. These practices include many of the requirements under the category of "Process and Program Development & Training" that would mandate operating practices such as drafting natural gas from pipe sections to be cleared,[7] using inert gas (such as nitrogen) to perform purges,[8] and bundling pipeline work in such a way that minimizes the number of times a given segment of pipe is

[5] 13 of the 95 proposed best practices in Attachment A to the staff report contained the term "safe", and 8 of out 95 contained the term "risk." "Health" was not identified in any of the best practices. For the mandatory practices, 7 have "safe", 1 "risk" and 3 "health" in their descriptions.

[6] Summary of Best Practices Working Group Activities and Staff Recommendations, Attachment A.

[7] Summary of Best Practices Working Group Activities and Staff Recommendations, Attachment A, Row 14. Cited May 2, 2016.

[8] Summary of Best Practices Working Group Activities and Staff Recommendations, Attachment A, Row 15. Cited May 2, 2016.

vented.[9] These operating procedures should require little additional capital cost and costs would largely be driven by the additional coordination on the part of company staff. ORA also supports requiring training and hiring procedures that encourage emission reductions. Examples include requiring utilities to implement training procedures that educate workers on why it is important to reduce methane emissions and procedures that ensure a continuity of knowledge of the gas systems among company employees. As noted in Attachment A, training procedures would incur little additional cost as the employees are already working for the utilities.

ORA supports the adoption of practices that are driven primarily by administrative or training needs as a starting point for the best practices. For example, approximately 15 of the 26 mandatory best practices are based on providing training or establishing policies and procedures.[10] These practices could be considered "low-hanging fruit" in which the benefits clearly outweigh the costs. To this end, the Commission could also consider a de minimis cost threshold where best practices do not need to be assessed.[11]

Regarding leak survey cycles for the distribution system, ORA recommends a 4 year leak cycle. The Joint Staff Report identifies shifting to a 3 year leak cycle, but does not provide emissions reductions values or estimated costs. The Commission in 2015, through revisions to General Order 112-E, has already increased survey cycles through expanding the definition of business districts[12] to include schools, hospitals, and churches, from every five years to annually.[13] A 4 year leak cycle will allow the Commission and parties to measure and better understand if the associated leak

[9] Summary of Best Practices Working Group Activities and Staff Recommendations, p. 13.

[10] Summary of Best Practices Working Group Activities and Staff Recommendations, pp. 12-21.

[11] For example, assigning more experienced staff to higher risk pipelines is a low cost activity, as is a mentoring program.

[12] The Pipeline Hazardous Materials Safety Administration defines a business district as "an area marked by a distinguishing characteristic of being used in the conducting of buying and selling commodities and service, and related transactions. A 'business district' would normally be associated with the assembly of people in shops, offices and the like in the conduct of such business. *Source:* PHMSA interpretation PI- 72-038.

[13] General Order 112-F, Section 143.1 Leakage Surveys and Procedures.

reductions are more effective than other best practices or approaches. The Joint Staff Report does not provide an analysis relating the potential emission reductions or health and safety improvement to surveying every three years instead of every five years. ORA further recommends that data be gathered for the emissions reduced over a period of eight years (two survey cycles) to determine if the amount of methane emissions reduced as a result of increased inspection frequency decreases over the course of several inspections and if a further reduction in leak survey cycle periods is warranted based on information relating to risk reduction and emissions reductions.[14]

ORA also supports the recommended requirements concerning emissions caused by dig-ins. The practices that would educate third-party contractors and require monitoring of work near gas transmission lines could result in fewer gas line ruptures while incurring few additional capital costs.[15] ORA requests that additional clarification be provided regarding which entities would be managing the list of "Repeat Offenders" and what, if any, process would be used for contractors to have the label "Repeat Offender" removed after a probationary period.

Practices already implemented by the utilities have an additional level of credibility in regards to efficacy of emissions reductions and cost-effectiveness compared to new technologies. However, requiring best practices based on precedence should be contingent on whether the practice is effective for other entities to implement in their service territory. For example, although PG&E already uses the Picarro system for mobile methane detection, it has already been discussed that this technology is unreliable in SoCalGas's service territory due to the higher amount of natural methane produced in its service territory due to oil and gas production, which leads to false-positive results.[16]

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[14] An eight year data collection period allows for 1 baseline period and 1 subsequent inspection period that can be compared to the baseline period.

[15] ORA understands that third-parties not using the 811 "Call Before You Dig" System remains a challenge.

[16] Summary of Best Practices Working Group Activities and Staff Recommendations, Attachment A.

The recommended requirement for natural gas providers to have "Methods, systems, and components used to prevent and/or stop the uncontrolled flow of methane from a gas system or storage facility" does not appear to be well defined, other than stating that this requirement should not be duplicative of the Division of Oil, Gas & Geothermal Resources (DOGGR) or CARB regulations. Accordingly, it is unclear exactly what is expected of the utilities in order to fulfill this requirement. Given the attention now being paid to storage facilities after the Aliso Canyon well rupture, a separate phase of this proceeding may better address and focus this issue.

B. Do you agree with the Four Principles for Methane Leak Best Practices? Why or Why not?

Overall, ORA agrees with the intent of the four principles. However, ORA recommends that the term "industry" be removed from the second principle for Methane Leak Abatement Best Practices. In this proceeding, standards as defined by state law and regulations will be pursued with the goal of reducing methane emissions. The adopted standards do not necessarily need to be industry standards.[17] The new principle would read:

> *~~"Industry~~ ~~s~~Standards for Safety and supplemental measures are needed to meet the challenge of eliminating methane emissions to the extent necessary to meet state goals."*

With respect to the third principle, if the Commission requires particular best practices to be implemented, then ORA proposes that risk and emission reduction as well as cost and benefit data (in dollars per metric tons of CO_2 equivalent), be provided for those best practices that affect operational practices in the field. This data could then serve as a metric to help guide future changes or current implementation. The utilities should also be required to file in their General Rate Case Applications a list of which best

[17] ORA understands the term "industry standards" to be a term of art. For example, the American Standards Association / American Society of Mechanical Engineers B31.8 standards on managing system integrity of gas pipelines. There is no requirement, unless otherwise defined in federal or state law, for a utility to follow industry standards.

practices they followed in the previous rate case, and which they will follow in the years covered by their upcoming rate case.

C. Do the proposed mandatory and voluntary management Best Practices, including categorization, rationale and associated deadlines for implementation, adequately address Public Utility Code Article 3 (e)(4) and scoping memo questions #5 and #6?

The Joint Staff Report's proposed best practices address items in the Public Utility Code Article 3(e)(4), particularly the requirement to "Establish and require the use of best practices for leak survey, patrols, leak survey technology, leak prevention, and leak reduction."

The Joint Staff Report addresses the concerns mentioned in memo question #5 by explicitly stating which technologies and methods should be implemented in order to detect and measure emissions. However, ORA disagrees with the implied stance taken within the Joint Staff Report that the Commission should require the use of specific technologies. A technology-specific approach increases the risk of forcing entities to acquire equipment that may be poorly used, quickly antiquated, unreliable, or otherwise inappropriate for a given operator.

The Joint Staff Report also addresses memo question #6 by recommending best practices that aim to prevent leaks. ORA generally supports these preventative measures as cost-effective solutions that only require additional administrative effort. The Joint Staff Report also covers practices that will help prevent leaks caused by third-party dig-ins, including requiring contractors to notify the presence of company monitors whenever excavation work is performed near natural gas transmission lines as discussed in Section 1 above.

D. What process should be used to ensure best management practices are up-to-date and continue to improve as new technologies, tools, and information become available over time, etc.?

The process for ensuring that best practices are up-to-date depends on the best practice being reviewed. The Commission should require that while the utilities

implement the mandatory best practices, they collect the data that will help determine if the mandatory best practices support a comprehensive safety, risk reduction, emissions reduction, and cost benefit analysis. This data should be submitted annually to the Commission and reviewed every 4 years. The Commission should identify best practices that are expected to undergo considerable change and focus primarily on reviewing those practices every two years. An example of such a practice would be the implementation of new mobile sensors, which are a piece of technology that is reasonably expected to become more accurate and reliable over the next several years. Practices that are expected to remain relatively unchanged, such as purging, can be reviewed every ten years. This will allow the Commission to dedicate its resources on reviewing practices that are changing more rapidly. It should also be noted that per SB 1371, the best practices shall be incorporated into the safety plans required by Public Utilities Code Section 961. Per Section 961.b.4, the commission already requires each gas corporation to periodically review and update their safety plan, which the commission shall review.

III. RECOMMENDATIONS

Overall, ORA supports the adoption of best practices once they are supported by appropriate risk reduction, emissions reduction, and cost data. Below are ORA's recommendations on the Joint Staff report:

ORA recommends that all best practices be ranked in terms of risk reduction for each impacted utility. For measures where risk reduction cannot be measured, use of emissions reductions may be appropriate and consistent with the stated intent of Senate Bill 1371 (Statues of 2014).

1. ORA recommends the Commission require that while the utilities implement the mandatory best practices, they collect the data that will help determine if the mandatory best practices support a comprehensive safety, risk reduction, emissions reduction, and cost benefit analysis. This data should be submitted annually to the Commission and reviewed every 4 years.

2. Inspections of the gas distribution line be increased to every 4 years and data collected over the next 8 years to determine the extent to which methane emissions are reduced over several inspections.

3. Requiring the use of new technologies should be contingent on whether the acquisition and use of those technologies is suitable for the different utilities.

4. Additional requirements to prevent the uncontrolled flow of methane from a gas system or storage facility should be at the regulatory discretion of agencies such as the Division of Oil, Gas, and Geothermal Resources, CARB, and the federal Pipeline Hazardous Materials Safety Administration.

Respectfully submitted,

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